



## Canada Life/Setanta Focus 15 Fund - August 2009

### Fund Description and Investment Objective

The **Focus 15 Fund** ("the Fund"), managed by Setanta Asset Management Limited ("Setanta"), is a unit-linked offering of Canada Life Assurance (Ireland) Limited. Its investment objective is to outperform the MSCI World index over periods of three years or more.

### Investment Philosophy

The Fund is a concentrated international (ex Ire) equity fund, holding ca.15 stocks. Setanta is a value investor in quality companies. Setanta builds the portfolio from the bottom up, using the stocks researched by the sector specialists, who apply the following key characteristics:

- superior **financial track record**
- **competitive advantage** and a **sustainable business model** within their industry
- focused on **profitability** and can demonstrate an ability to earn cash flow returns in excess of their cost of capital over the business cycle
- do not carry excessive **debt** levels

Clearly Focus 15 is likely to be more volatile than more broadly-based funds; it is therefore suitable for those investors with experience of the stock market.

The Fund's assets are ca. €52m.

### Unit Price 31/08/2009

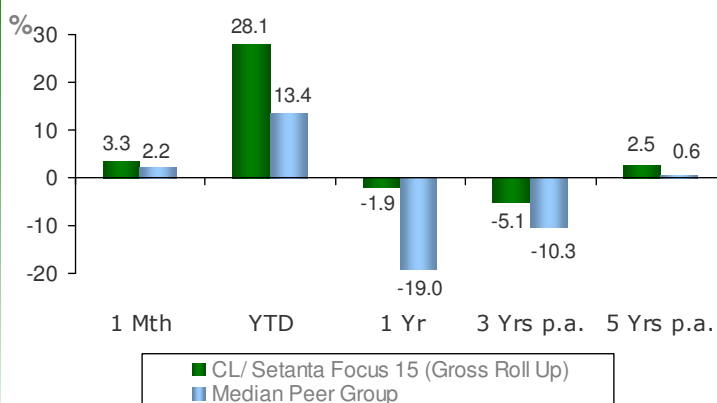
	Focus 15 (net version)	Focus 15 (gross version)*
Euro	1.027	0.757

### Fund Performance\* to 31/08/2009

	Focus 15 (net version)	Focus 15 (gross version)
One Month %	2.5%	3.3%
12 Months %	-2.0%	-1.9%

\*In January 2001 a new version of the Focus 15 fund was launched which is liable to tax at maturity ("gross version") rather than at source ("net version"). Both versions own the same assets and the difference in performance relates primarily to tax.

### Fund Performance to 31.08.09



Performance Source: Moneymate. Benchmark: Median of Concentrated Equity Peer Group (Hibernian, KBC, Eagle Star). The actual Fund returns stated are net of management fees.

### Fund Statistics as of 31.08.09

#### Valuation Statistics

	FUND	MSCI WORLD
DIVIDEND YIELD	3.3%	3.0%
PRICE/EARNINGS RATIO	16.2x	26.8x
PRICE/CASHFLOW RATIO	7.1x	5.6x

#### Risk Statistics

	INFORMATION RATIO	STANDARD DEVIATION
5 YR	0.71	14.4%
3 YR	1.23	16.9%

Statistics Source: Bloomberg (Valuation) & Setanta (Risk)

## Commentary

The Focus 15 Fund was up 3.3% in August, bringing the year-to-date performance to 28.1%.

Markets continued to recover, supported by heavy government stimuli, and in anticipation of an economic recovery. As a result the financials and cyclical sectors have performed particularly well.

**Swatch** was the standout performer for the Focus 15 Fund in August, up 17% after reporting better than expected interim results. On a year-to-date basis, the cyclical and financial stocks have been the biggest contributors to the Fund's outperformance: Norwegian Bank **DnB Nor** is up by over 100% and **Korea Exchange Bank** is up by 80%. Both of these situations are examples of the impact of improving expectations for leveraged companies with low valuations. Swatch and **Lanxess** have both indicated tentative improvements in businesses trends, which accounts for the significant rallies enjoyed by these stocks.

The weaker performing stocks in the Focus 15 Fund this year have been the defensive positions such as **Belgacom**, **Glaxosmithkline** and **Johnson & Johnson**. These stocks were seen as relative "safe havens" in the downturn, but as investors re-embraced risk, they have underperformed. Given this trend, we believe that their valuations remain very attractive.

There were no transactions during August. However early in September we sold Lanxess and bought OPAP. Lanxess had seen profits collapse as a result of the recession, but the order book appears to now be improving. This has resulted in a doubling of the share price since its lows early this year. The stock does not appear excessively priced and we continue to own it in the Global Equity Fund. However we believe OPAP represents a superior option. OPAP is the monopoly provider of all sports betting and numerical lottery games in Greece. The company has a very strong financial position, with a €600m+ cash pile and excellent cash flow. There are concerns that pressures from the EU may result in a liberalisation of the market. There are also concerns over the impact of taxation changes on profits. However these risks seem well understood by the market and we believe they are adequately discounted. The stock is currently trading on a free cashflow yield of 15% and a dividend yield of 13%.

### Fund Outlook

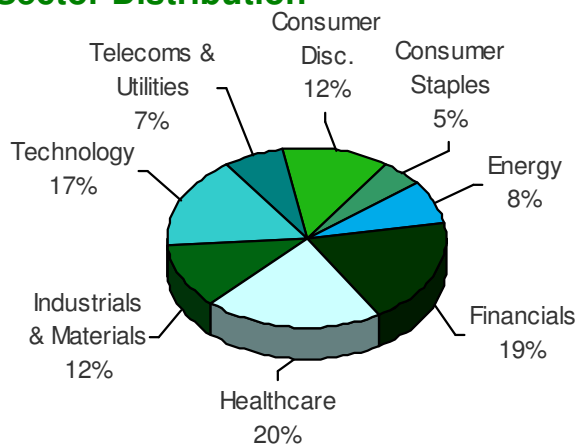
Over the last six to nine months, the Fund has been increasingly buying into cyclically exposed companies which are financially sound but which are trading on low valuations, fitting well with Setanta's value and quality investment principles. Examples of this are Nokia, Swatch, Home Retail and Schneider Electric. These companies are not dependent on an improvement in the global economy for their survival but which should benefit when it does. While not all of these have performed well so far (much too short a timeframe to judge investments), we remain very confident in their medium-to-long term prospects.

Focus 15's performance year-to-date has been strong, both on an absolute basis, and relative to the peer group and the MSCI World index, which is up 16.4% year-to-date.

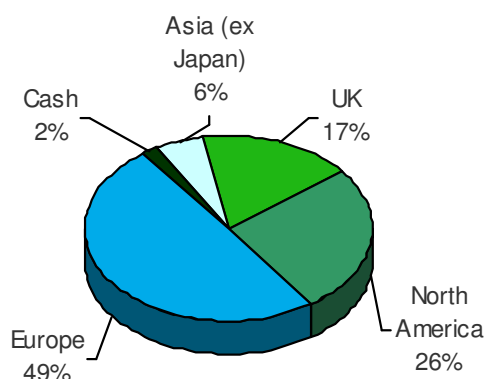
## Holdings

		% OF FUND
Belgacom	Telecoms / Utilities	6.7
Comerica	Banks / Other Financials	7.0
DnB NOR	Banks / Other Financials	6.3
Glaxosmithkline	Healthcare	7.6
Home Retail Group	Consumer Cyclical	4.9
Johnson & Johnson	Healthcare	7.1
Korea Exchange Bank	Banks / Other Financials	5.6
Lanxess	Industrials / Materials	3.9
Microsoft	Information Technology	6.7
Nokia	Information Technology	4.5
Pharmaceutical Product Dev.	Healthcare	5.3
Schneider Electric	Industrials / Materials	7.6
The Swatch Group	Consumer Cyclical	7.3
Total	Energy	7.6
Unilever	Consumer Staples	4.6
Wincor Nixdorf	Information Technology	5.3

## Sector Distribution



## Geographic Distribution



Warning: Past performance is not a reliable indicator of future results. The price of units and the income from them may go down as well as up and investors may not get back the amount invested. The return may increase or decrease as a result of currency fluctuations. Forecasts are not a reliable indicator of future performance.

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